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# State of Utah

## Department of Commerce

### Division of Securities

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#### NEWS RELEASE

September 17, 2007

### **Order Finding Real Estate Fraud in Land Development and Hard-Money Lending** *Foote promised 2% per month on real estate notes; money was used for personal expenses ...*

**SALT LAKE CITY, Utah** – The Utah Division of Securities entered an order today against Warren Kyle Foote, of Salt Lake City, for violating the securities law when he took \$80,000 from two investors claiming he would use the money for real estate development and hard-money lending on real estate projects. The order was entered by default after Foote failed to defend himself in the enforcement proceedings brought by the Division in August, 2007.

According to the order, Foote took \$30,000 from an investor claiming the money would be used to purchase five lots in a land development project in Idaho. He claimed he already had buyers for three of the lots and that those sales would yield enough proceeds to pay for all five lots. He personally guaranteed that the project would be a success and promised a monthly return of 2% as well as 12% of the proceeds from the sale of the three lots. The investor has received only \$5,000 back.

A second investor was told her \$50,000 would be used for a “hard-money loan” on real estate properties. The investor was told the money would be used as a bridge loan to a buyer of real estate for 45 days, until long-term financing was obtained. Foote said there was no risk because the investment would be secured by real estate. The investor obtained a \$50,000 home equity loan and gave the money to Foote. Within three weeks, all the money was used by Foote to pay employees, commissions, utilities, rent, cell phone bills, and for payments to a collection agency. None of it was used as a loan on real estate. The investor is still owed more than \$41,000.

The Order against Foote finds that he misrepresented information to investors and failed to disclose material information. He is alleged to have told one of the investors that he had made a lot of money for a pair of prior investors, when, in fact, those other investors had already hired an attorney to get their money back from Foote. He failed to disclose a December 2004 bankruptcy and that he owed unpaid judgments that had been entered against him.

Foote was ordered to cease and desist committing any further violations and a fine of \$100,000 was imposed.

Investors are urged to contact the Division to make sure anyone offering investments is licensed. 801.530.6600, or toll free at 1.800.721.7233. [www.securities.utah.gov](http://www.securities.utah.gov).